DOCUMENT RESUME

ED 093 237 HE 005 681

AUTHOR Rankin, Alan C.
TITLE Alternative Tuition Pricing Arrangements.
INSTITUTION National Association of Coll. and Univ. Business Officers, Washington, D.C.
PUB DATE 11 Jul 74
NOTE 6p.; Speech presented at the annual meeting of the National Association of College and University Business Officers (Boston, Massachusetts, July 10-12, 1974)

EDRS PRICE MF-$0.75 HC-$1.50 PLUS POSTAGE
DESCRIPTORS Educational Economics; *Educational Finance; *Financial Support; *Higher Education; Post Secondary Education; Speeches; *Student Costs; *Tuition

ABSTRACT

This document discusses alternative tuition pricing arrangements in higher education. Reference is made to National Commission on Financing Postsecondary Education generalizations that would enable policymakers to anticipate the likely consequences of their decisions. These generalizations suggest: (1) aid to reduce tuition will accomplish less in improving access that the same amount applied to student grants awarded on the basis of financial need; (2) increases in the price the student must pay result in decreases in enrollment; decreases in price result in increases in enrollment; (3) increased spending for student grants would result in proportionately larger increases in enrollment in private colleges than in the public; (4) expanding student access through increased student aid would require institutions to seek supplemental financial assistance to meet additional costs. (Author/MJM)

NACUBO

BEST COPY AVAILABLE

1974 Annual Meeting
Boston, July 10-12

National Association of College and University Business Officers, One Dupont Circle, Washington, D.C. 20036

ED 093237

ALTERNATIVE TUITION PRICING ARRANGEMENTS

Remarks prepared for delivery 2:30 p.m., Thursday, July 11
"Analyzing the Report from the National Commission on the Financing of Postsecondary Education"

Dr. Alan C. Rankin
President
Indiana State University

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

The task of commenting on alternative tuition pricing arrangements in higher education in a systematic and meaningful fashion -- in 15 minutes -- is a formidable if not impossible task. I am still looking for the person who suggested my name -- I would like to try to make a friend out of him!

I am sure that the experienced educational officials attending this meeting know as well or better than I how complicated the tuition question is, how difficult it is to generalize about, and what deep-seated issues, both philosophical and practical, underlie its consideration. There are many answers to the Carnegie Commission's questions: "Who Pays? Who Benefits? Who Should Pay?" Unfortunately, the answers are not as brief as the questions.

Most of higher education in the 1970s is concerned with maximizing enrollments, maximizing access, maximizing the quality of education, and maximizing income. To a very great degree, achieving these goals depends upon adequate financing from sources which have long been familiar to us. And our familiar sources -- if not actually contemptous -- have turned accounting into accountability and begun to insist on answers to questions that lead us quickly back to the tuition question. In effect, they have added a fourth question, "Why Pay?"

If the life of the educational administrator were not difficult enough, consider such future imponderables as the effects of lowering the age of adulthood to 18, the future of out-of-state tuition, the financing of part-time students. There are many others, but these will illustrate the point. Students are beginning to insist that they are independent of their parents and expect financial assistance based on their own economic situation. Some parents are catching on and agree that their children are independent. The ramifications for student aid programs are awesome. I

HE 005 681

don't suppose it would be very useful to suggest that the Congress raise the age of maturity to 24. If out-of-state fees are found to be unconstitutional, the cost to the states, in replacement cost or loss of income, would amount to $200 million. Part-time students constitute a majority in postsecondary institutions and have a claim to a more equitable share in financial aid programs. They are being "massively discriminated against" according to the report of a Commission established by the American Council on Education. All of this is food for thought -- and I haven't even mentioned inflation, now a constant rather than a variable.

The greatest and most elusive variables, however, are found in the uncertain responses of students, institutions, and sources of financing to the changes we have made or propose to make in financing. The inadequacy of data and variations among institutions make predictions and projections a risky business. As the National Commission whose report we are considering points out, "When an institution changes its tuition, the change affects the students' willingness to enroll in that institution. When governments change their policies for institutional aid, the change affects the institution's willingness (or ability) to accept additional students. When governments change their tax policies toward foundations and private donors, the change affects the amount of private support provided to postsecondary education." (page 251.)

Before we explore, very superficially, how the National Commission treats the subject of tuition, let us set forth some of the magnitudes of higher education finance. In 1972, the income of postsecondary educational institutions was about $30 billion. Of this, 20 percent was received from students and parents, some $6 billion which does not include $3.4 billion for education-related expenses was not paid to institutions. About 32 percent came from state and local governments; 27 percent from the federal government; 9 percent from gifts and endowment income; and 12 percent from auxiliary and other enterprises. Despite the billions of dollars these major sources represent, the National Commission argues that we have not yet accomplished a primary national objective, that of student access when measured in terms of income, race, ethnic group, sex, and geographic location. One illustration: the participation of 18-24 year olds in postsecondary education from families earning less than $10,000 a year is 38 percent. The conclusion is that the level of financing is inadequate.

Our question today is, "What are the alternative tuition arrangments in postsecondary education?" The National Commission has not attempted to support any one of several approaches to the pricing of tuition. Alternatives were examined for analytical purposes only. The Commission reports that its "primary purpose has been to set the context for debate on the financing of postsecondary education."

In the course of its study, the Commission's staff considered more than 50 alternative plans. The Commission selected eight which are described and analyzed in the 442-page report. The eight were chosen to reflect a range of policy choices extending from plans that would allocate nearly all governmental support to institutions, to, on the other hand,

plans that would allocate nearly all governmental support to students, A second requirement was that the plans should represent a range of judgments about who benefits from education. At one extreme, on the assumption that the individual is the primary beneficiary of his or her education, were plans that require students (and their families) to bear all or nearly all the cost of their instruction. At the other extreme, on the assumption that society is the primary beneficiary of an educated citizenry, were plans that, by eliminating tuition at public institutions, fully finance the costs of instruction from public revenues.

It is not possible to describe these alternatives in detail, so I shall limit my review to the tuition alternatives and the effect they have, if any, on enrollments or access and on financial aid. This will take about three minutes, so bear up if I seem to bog down.

Plan A

Students at public institutions would pay nearly the full cost of their education. Aid would be increased for low-income students to offset tuition increases. The result would be a decline in enrollment of 1.63 million students in public institutions and an increase of 370,000 in private and non-collegiate institutions. Students from families with incomes under $10,000 would comprise about one-half of the reductions. In my judgment, such a plan is politically impossible and socially undesirable. For one thing, it is a sure way to bring back campus unrest and riots.

Plan B

Students at public institutions would pay approximately 50 percent of educational costs. Aid would be increased to offset tuition increases. No significant change in total enrollment is expected as public enrollments would decline by 370,000 students while private college and non-collegiate institutions would increase by 370,000. Low-income families would be represented by 175,000 more students.

Plan C

Upper division and graduate students in public institutions would pay a larger share of their costs than they do now. The ratio proposed for lower, upper, and graduate levels would be set at 1 to 1.50 to 3.0. Increased aid would come from tuition increases and from the states. Enrollments in all categories except the private graduate sector would increase by a total of 300,000. Of this number, 270,000 would come from families with incomes below $10,000.

Plan D

Public tuition at the lower division would only be adjusted for inflation; upper-division and graduate level tuition should increase more than the inflation adjustment. The additional revenue should be used to provide student aid. Enrollments would increase by approximately 300,000,

of which 260,000 would fall in the private college or non-collegiate sector. Low-income families would be represented by 230,000 of the 300,000.

Plan E

Public tuition at the lower division would be stabilized at the 1973 level and adjusted only for inflation, as in Plan D. Upper division and graduate tuitions would rise by 10 percent a year, beginning in 1977, until they reach 35 percent of upper-division costs and 40 percent of graduate level costs. The additional revenue would be used for increased student aid at the upper division and graduate levels. Enrollments would be expected to increase by approximately 200,000, of which 40,000 would be in public institutions and 160,000 in non-collegiate and private colleges. The total increase includes 170,000 in the below $10,000 category.

Plan F

Tuition at the public lower division levels would be eliminated, made possible by institutional aid from federal sources. Aid to public lower division students would be reduced. Because the reduction in student aid more than offsets the reduction in tuition, enrollments will decrease by 70,000 in the lower division. Federal aid to lower-division students in private colleges will increase enrollments by about 90,000. The number of low-income students would drop 110,000.

Plan G

Tuition and student aid are unchanged. No change in enrollments is expected. The principal feature of the plan is to increase federal institutional aid by $870 million on an upward-sliding scale, starting with $100 per full-time equivalent lower-division student. Access would be increased if the institutional aid were used to reduce tuition or provide student aid.

Plan H

Tuition, both public and private, would be held stable, adjusting only for inflation. Both student and institutional aid would increase from federal sources and states should increase assistance to students. An enrollment increase of about 260,000 would be expected, of which 20,000 are in the public sector, and 230,000 are in the non-collegiate and private college sector. It doesn't quite add up. Low-income enrollments would increase by 230,000.

Please forgive my recital of these data. The Commission has taken this approach in an attempt to assess the costs and impacts of alternative financing plans. It is not known, however, whether the different impacts of alternative plans occur because of spending more or less money or because of the different means by which assistance is delivered and who are the recipients of such assistance. Or all three. The Commission went a step further by repeating its analysis using an arbitrary increase

of $1 billion in public expenditures for 1977, and $1.5 billion for 1980. I shall spare you the findings.

The Commission made several important generalizations which would enable policy makers to anticipate the likely consequences of their decisions. I shall quote directly from the report:

1. It can be clearly demonstrated (says the Commission) that aid to reduce tuition will accomplish less in improving access than the same amount applied to student grants awarded on the basis of financial need. (page 310.)

2. Increases in the price the student must pay result in decreases in enrollment; decreases in price result in increases in enrollment. The Commission estimates that enrollment varies from one to three percent for every $100 change in tuition depending on type of institution, family income and what other institutions charge. (page 311.)

3. Increased spending for student grants would result in proportionately larger increases in enrollment in private colleges than in the public. (page 314.)

4. Expanding student access through increased student aid would require institutions to seek supplemental financial assistance to meet additional costs. (page 316.)

But what are the effects on the student of manipulating the Commission's major resource categories, i.e., tuition and student and institutional aid? Two examples:

1. It is argued that raising tuition would provide more funds for public higher education which could be used as aid for lower-income students.

This argument is based on a dubious belief that increased tuition revenues will be allocated as aid. There are many reasons why this argument cannot be relied upon in practice.

2. It is argued that raising tuition would decrease the gap between public and private college costs, and thus help private colleges attract more students.

In effect, this is a recommendation to tax the 75 percent enrolled at public colleges to help the 25 percent at private colleges; in other words, to place a large tax and large debt on six million students, many of whom are in middle- and lower-income groups, to help private colleges enrolling two million students.

There is an alternative. Federal programs benefit private colleges as well as public, through student aid, programs for the disadvantaged, facilities and institutional aid, and others. To the extent that private

schools can be supported with federal funds, this kind of direct assistance is far more equitable than taxing students at public colleges.

The context of debate has been set, and it is gratifying that an important association -- NACUBO -- is devoting time to such a debate. You can take your choice of the alternatives, or some variation thereof. It is not to be expected that any one alternative will ever be agreed upon as national policy by a majority of those concerned. But you are an influential group, and your voice, or voices, will be listened to in important places. What will be your counsel?

It is not necessary to remind you that enrollments have at best stabilized. Future planning must recognize that unless the concept of education for adults is increasingly accepted, we cannot solve our financial problems through the expectation of the 60s that increased enrollment brought forth increased appropriations.

I don't need to remind you, on the other hand, that added financing is necessary if we are to provide equal access to ethnic and racial minorities, women, and members of low-income families.

I don't need to remind you that adequate financing of higher education is a major educational and social issue, greater than an overly tenured faculty, collective bargaining, affirmative action, or even intercollegiate athletics (which is only a part of the total financing problem). It is a national issue because it affects almost every American and the well-being of the nation. But we have no clearly discernible national goal to guide us to acceptable resolutions of the problem. And the likelihood of achieving one seems most remote. We are pulled and tugged between our personal priorities and interests and commitments, and this is not apt to result in satisfactory compromises when survival is at stake. It is hard to be optimistic about reconciling the objectives or whether tuition should be maintained or lowered to achieve certain other social objectives. The divergency is hard to reconcile because we are not agreed on the social objectives. How many times have we heard that there are too many young people in college? Of course, there are persons attending college who are not students or are in attendance for the wrong reasons, but there are even more who should be there but are not. How do we reconcile the arguments that we can't afford our educational expenditures, that we have an over-supply of degree holders, that the individual should pay because <u>he</u> or <u>she</u> benefits, with the principles of a democracy in which we stress equal opportunity, in a society we strive to hold open, in a nation which fosters mobility.

A society is made great by individuals who have an opportunity, who have had a chance to realize their potential. A society is not well served by the meanness of its goals, nor the mediocrity of its citizens.

Who benefits? Both the individual and society.

Who pays? Society must bear the greater burden with individuals helping to the extent that does not diminish their access.

Why pay? We owe it to ourselves.